

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 L-03 H-02 PM-04

DODE-00 /111 W

----- 042847

R 071742Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0250

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

AMEMBASSY TOKYO

USDEL MTN GENEVA

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DEPARTMENT PASS TREASURY, FRB AND CEA

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E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: LATEST ECONOMIC INDICATORS MOVE SIDEWISE

SUMMARY: ACCORDING TO THE DATA JUST RECEIVED THERE HAS BEEN NO ECONOMIC MOVEMENT FORWARD IN THE LAST MONTH OR SO. INDUSTRIAL PRODUCTION, NEW ORDERS, AND UNEMPLOYMENT WERE STAGNANT. THIS READING, THOUGH, IS ONLY ON THE BASIS OF ONE MONTH'S DATA. ANALYZING THE DATA OVER A LONGER PERIOD SHOWS AN IMPROVEMENT IN THE ECONOMIC SITUATION IS UNDER WAY, BUT IT IS OF A MODERATE VARIETY AND THUS FAR DOES NOT PORTEND ANY OVERHEATING.

1. INDUSTRIAL PRODUCTION REMAINED AT THE SAME LEVEL IN MAY AS IT WAS IN APRIL. COMPARING THE THREE MONTH PERIOD ENDING IN MAY WITH THE PREVIOUS THREE MONTH PERIOD IN THE SEASONALLY ADJUSTED TERMS OF THIS SERIES REFLECTS 6.1 PERCENT GROWTH AT AN ANNUAL RATE. THIS WOULD SUGGEST GNP WAS GROWING AT ABOUT 4 PERCENT S.A.A.R. OVER THE SAME PERIOD.

2. TOTAL NEW INDUSTRIAL ORDERS ON A VOLUME BASIS AND SEASONALLY ADJUSTED ALSO DID NOT INCREASE IN MAY OVER THE LEVEL OF APRIL. THE COMPARISON OF THE LAST THREE MONTHS ORDERS WITH THOSE IMMEDIATELY PRECEDING YIELDS A 3.4 PERCENT ANNUAL RATE OF GROWTH -- AN INDICATION OF NOT VERY STRONG DEMAND AND FUTURE PRODUCTION POSSIBILITIES.

3. DOMESTIC DEMAND FURTHER WEAKENED IN MAY, WITH THE INDEX NUMBER FOR INLAND ORDERS BEING AT THE LEVEL OF LAST NOVEMBER. THE MARCH TO MAY PERIOD AS COMPARED WITH THE DECEMBER TO FEBRUARY TIMESPAN SHOWS AN INCREASE IN THESE ORDERS OF 3.9 PERCENT AT AN ANNUAL RATE.

4. ORDERS FROM ABROAD PICKED UP A BIT IN MAY, COMPENSATING FOR THE DOMESTIC DEMAND LAG THAT OCCURRED. THIS IS SOMEWHAT A REVERSAL OF THE PICTURE THAT CHARACTERIZED DEVELOPMENTS OVER THE FIRST PART OF THE YEAR.

5. THE UNEMPLOYMENT RATE IN SEASONALLY ADJUSTED TERMS LIMITED OFFICIAL USE

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REMAINED AT 4.5 PERCENT IN JUNE, THE SAME AS IT WAS APRIL AND MAY. IN ABSOLUTE NUMBERS THIS EQUATES TO 1,034,000 UNEMPLOYED. COMPARED TO THE MAY FIGURE JUST PUBLISHED BY THE BUNDESBANK IN THE REIHE 4, JUNE 1976 EDITION, THIS WOULD REPRESENT AN INCREASE OF 8 THOUSAND IN THE NUMBER OF UNEMPLOYED. WE HAVE BEEN INFORMED VERBALLY, HOWEVER, THAT THESE DATA HAVE BEEN REVISED SO THAT NOW THERE WOULD APPEAR TO BE A DROP OF 2,000

IN JUNE FROM THE MAY LEVEL. THE REVISED NUMBERS (NOT YET PUBLISHED) FOR SEASONALLY ADJUSTED UNEMPLOYMENT DATA APPEAR IN TABLE II OF THIS CABLE.

6. THE GOVERNMENT HAS ONLY PUBLICIZED THE NON-SEASONALLY ADJUSTED DATA, WHICH SHOWS A DROP OF 32,500 IN THE NUMBER OF UNEMPLOYED IN JUNE. THE UNADJUSTED TOTAL UNEMPLOYED IS THEREFORE 921,000 BY THIS MEASURE, AND THE RATE 4 PERCENT. LAST YEAR IN JUNE THIS RATE WAS 4.4 PERCENT.

7. TABLES PERTINENT TO THE FOREGOING FOLLOW:

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TABLE I

SEASONALLY-ADJUSTED INDICES OF INDUSTRIAL PRODUCTION
 AND NEW ORDERS (1970 EQUALS 100)

	INDUSTRIAL PRODUCTION	NEW ORDERS VOLUME		
		TOTAL	DOMESTIC	FOREIGN
	-----	-----	-----	-----
1975				
DEC	108	107	102	124
1976				
JAN	108	110	102	136
FEB	110	109	101	133
MAR	109	111	107	127
APR	111	109	101	133
MAY	111	109	100	135

ANNUAL RATES OF CHANGE (PERCENTAGE)

MAR-MAY OVER

DEC-FEB	6.1	3.4	3.9	2.0
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TABLE II

SEASONALLY-ADJUSTED REGISTERED UNEMPLOYMENT

NUMBER	UNEMPLOYMENT
UNEMPLOYED	RATE
(THOUSANDS)	
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1975

JAN	862	3.8
FEB	915	4.0
MAR	985	4.3
APR	1066	4.6
MAY	1151	5.0
JUNE	1188	5.2

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JULY	1215	5.3
AUG	1207	5.3
SEPT	1188	5.2
OCT	1158	5.0
NOV	1121	4.9
DEC	1106	4.8

1976

JAN	1077	4.7
FEB	1080	4.7
MAR	1068	4.6
APR	1056	4.5
MAY	1086	4.5
JUNE	1034	4.5

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TAGS: EFIN, GE
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